

## Section C. Streamline Refinances

### Overview

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**In This Section** This section contains the topics listed in the table below.

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# 1. Requirements for Streamline Refinances

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**Introduction** This topic contains information on requirements for streamline refinances, including

- a description of a streamline refinance
  - permissible geographic areas
  - use of appraisals
  - ignoring or setting aside an appraisal
  - reviewing CAIVRS, LDP and GSA exclusion lists
  - credit report and credit score requirements for streamline refinances
  - use of TOTAL Scorecard on streamline refinances
  - payoff statement requirement on streamline refinances, and
  - loan application on streamline refinance.
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**4155.1 6.C.1.a** Streamline refinances

**Description of a Streamline Refinance**

- are designed to lower the monthly principal and interest payments on a current FHA-insured mortgage, and
  - must involve no cash back to the borrower, except for minor adjustments at closing that are not to exceed \$500.
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**4155.1 6.C.1.b**  
**Permissible Geographic Areas for Streamline Refinances**

Lenders may solicit and process streamline refinance applications from any area of the country, provided the lender is approved for Direct Endorsement (DE) by at least one Homeownership Center (HOC), and, where necessary, licensed to do business in the state in which the property is located.

**References:** For information on

- DE Lender Program application and approval, see
    - HUD 4155.2 2.A, and
    - HUD 4155.2 2.B, and
  - HOC jurisdictions, see HUD 4155.2 12.E.1.
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## 1. Requirements for Streamline Refinances, Continued

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### 4155.1 6.C.1.c Appraisals on Streamline Refinances

FHA does not *require* an appraisal on a streamline refinance. These transactions can be made with or without an appraisal.

FHA does *not* require repairs to be completed on streamline refinances with appraisals, with the exception of lead-based paint repairs. However, the lender may require completion of repairs as a condition of the loan.

**References:** For information on streamline refinances

- with an appraisal (non-credit qualifying), see HUD 4155.1 3.C.3 , and
  - without an appraisal, see HUD 4155.1 3.C.2 .
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### 4155.1 6.C.1.d Ignoring or Setting Aside an Appraisal on a Streamline Refinance

If an appraisal has been performed on a property, and the appraised value is such that the borrower would be better advised to proceed as if no appraisal had been made, then the

- appraisal may be ignored and not used, and
  - lender must notate this decision on the HUD-92900-LT, *FHA Loan Underwriting and Transmittal Summary*.
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### 4155.1 6.C.1.e Reviewing CAIVRS, LDP and GSA Exclusion Lists on Streamline Refinances

The Credit Alert Interactive Voice Response System (CAIVRS) does not need to be checked for streamline refinances, but the lender must review, for all borrowers, the

- [HUD Limited Denial of Participation](#) (LDP) List, and
- General Services Administration (GSA) [List of Parties Excluded from Federal Procurement or Non-procurement Programs](#).

**References:** For more information on HUD's LDP List, GSA exclusion lists, and using CAIVRS to check borrower eligibility for Federally-related credit, see

- HUD 4155.1 4.A.6, and
  - HUD 4155.1 4.A.7
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## 1. Requirements for Streamline Refinances, Continued

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**4155.1 6.C.1.f  
Credit Report  
and Credit  
Score  
Requirements  
for Streamline  
Refinances**

Except for credit qualifying streamline refinances, FHA does *not* require a credit report. The lender, however, may require this as part of its credit policy.

If a credit score is available, the lender must enter it into FHA Connection (FHAC). If more than one credit score is available, the lender must enter *all* available credit scores into FHAC.

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**4155.1 6.C.1.g  
Use of TOTAL  
Scorecard on  
Streamline  
Refinances**

Effective with case numbers assigned on or after April 18, 2011, FHA no longer requires lenders to certify employment and income on streamline refinance transactions. As a result, lenders will not have sufficient data to score streamline refinances through the Technology Open to Approved Lenders (TOTAL) Scorecard. The TOTAL Scorecard was never intended to be used for streamlines and the results are not considered valid.

A lender who inadvertently uses TOTAL must not enter “ZFHA” as the underwriter in FHA Connection (FHAC) but must instead use its Direct Endorsement (DE) underwriter designation, and the DE underwriter must sign and use his/her Computerized Home Underwriting Management System (CHUMS) identification number on

- page 3 of the HUD 92900-A, *HUD/VA Addendum to Uniform Residential Loan Application*, and
  - page 1 of the HUD-92900-LT, *FHA Loan Underwriting and Transmittal Summary*.
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## 1. Requirements for Streamline Refinances, Continued

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### 4155.1 6.C.1.h Payoff Statement Requirement on Streamline Refinances

The lender must obtain payoff statements for all liens to be satisfied from the proceeds of the streamline refinance transaction, and include copies in the case binder submitted for endorsement.

**Reference:** For more information on obtaining payoff statements for refinances, see HUD 4155.1 3.A.1.j.

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### 4155.1 6.C.1.i Loan Application on Streamline Refinances

Effective with case numbers assigned on or after April 18, 2011, lenders may use an abbreviated Uniform Residential Loan Application (URLA) on non-credit qualifying streamline refinances *only*.

Lenders are not required to complete sections IV, V, VI, and VIII (k) on an abbreviated [URLA](#), provided all other required information is captured.

Due to various disclosure requirements, the application for mortgage insurance must be signed and dated by the borrower(s) before the loan is underwritten. Lenders are permitted to process and underwrite the loan after the borrower(s) and interviewer complete the initial URLA and initial form HUD 92900-A, *HUD/VA Addendum to Uniform Residential Loan Application*.

The lender must continue to ensure compliance with the Equal Credit Opportunity Act (ECOA) and all other regulatory requirements.

**Reference:** For information on ECOA and other regulations, see HUD 4155.2 1.B.5.

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## 2. Credit Qualifying Streamline Refinances

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**Introduction** This topic contains information on credit qualifying streamline refinances, including

- features of a credit qualifying streamline refinance
  - the maximum mortgage amount
  - required documentation on a credit qualifying streamline refinance, and
  - required usage of a credit qualifying streamline refinance.
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**4155.1 6.C.2.a Features of a Credit Qualifying Streamline Refinance** Credit qualifying streamline refinances contain all the normal features of a streamline refinance, but provide a level of assurance for continued performance on the mortgage.

The lender must provide evidence that the remaining borrowers have an acceptable credit history and ability to make payments.

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**4155.1 6.C.2.b Maximum Mortgage Amount on Credit Qualifying Streamline Refinance (Reference)** References to the guidelines for calculating the maximum mortgage amount on credit qualifying streamline refinances are found in the table below.

<b>If the credit qualifying streamline refinance is made ...</b>	<b>Then the maximum mortgage amount is calculated as described in ...</b>
<i>with</i> an appraisal	HUD 4155.1 3.C.3.
<i>without</i> an appraisal	HUD 4155.1 3.C.2.

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## 2. Credit Qualifying Streamline Refinances, Continued

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**4155.1 6.C.2.c** For credit qualifying streamline refinances, the lender must  
**Required**  
**Documentation**  
**on Credit**  
**Qualifying**  
**Streamline**  
**Refinance**

- verify the borrower’s income and credit report
- compute the debt-to-income ratios, and
- determine that the borrower will continue to make mortgage payments.

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**4155.1 6.C.2.d** A credit qualifying streamline refinance must be considered  
**Required Usage**  
**of a Credit**  
**Qualifying**  
**Streamline**  
**Refinance**

- when a change in the mortgage term will result in an increase in the mortgage payment of more than 20%
- when deletion of a borrower or borrowers will trigger the due-on-sale clause
- following the assumption of a mortgage that
  - occurred less than six months previously, and
  - does *not* contain restrictions (i.e. due-on-sale clause) limiting assumption only to a creditworthy borrower, or
- following the assumption of a mortgage that
  - occurred less than six months previously, and
  - did *not* trigger the transferability restriction (that is, the due-on-sale clause), such as in a property transfer resulting from a divorce decree or by devise or descent.

**Note:** The use of a credit qualifying streamline refinance for situations in which the change in mortgage term will result in an increase in the mortgage payment is *only* permissible for

- owner-occupied principal residences
  - secondary residences meeting the requirements of HUD 4155.1 4.B.3, and
  - investment properties owned by governmental agencies and eligible nonprofit organizations as described in HUD 4155.1 4.A.6.
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### 3. Streamline Refinance Borrower and Property Related Requirements

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<b>Introduction</b>	<p>This topic contains information on borrower and property related requirements for streamline refinances, including</p> <ul style="list-style-type: none"> <li>• borrower cash to close</li> <li>• assuming borrower eligibility for streamline refinance without credit qualifying</li> <li>• borrower additions or deletions to title</li> <li>• withdrawn condominium approvals</li> <li>• seven unit exemptions for investors</li> <li>• seasoning requirement for a streamline refinance, and</li> <li>• mortgage payment history requirement for a streamline refinance.</li> </ul>
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<b>4155.1 6.C.3.a Borrower Cash to Close on a Streamline Refinance</b>	<p>If assets are needed to close, the lender must verify, document, and determine the acceptability of the assets to be utilized.</p> <p><b>Reference:</b> For more information on acceptable sources of funds for closing, see HUD 4155.1 5.B.</p>
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<b>4155.1 6.C.3.b Assuming Borrower Eligibility for Streamline Refinance Without Credit Qualifying</b>	<p>A borrower is eligible for a streamline refinance without credit qualifying if</p> <ul style="list-style-type: none"> <li>• he/she has owned the property for at least six months, and</li> <li>• the previous borrower(s) received a release of liability at the time of the assumption.</li> </ul> <p>This rule applies to mortgages that do not contain restrictions limiting assumptions only to creditworthy borrowers. Typically, these types of mortgages were made prior to December 1989.</p>

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### 3. Streamline Refinance Borrower and Property Related Requirements, Continued

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<b>4155.1 6.C.3.c Borrower Additions or Deletions to the Title on a Streamline Refinance</b>	<p>Individuals may be <i>added</i> to the title on a streamline refinance without</p> <ul style="list-style-type: none"> <li>• a creditworthiness review, and</li> <li>• triggering the due-on-sale clause.</li> </ul> <p>Individuals may be <i>deleted</i> from the title on a streamline refinance <i>only</i></p> <ul style="list-style-type: none"> <li>• under the circumstances described in HUD 4155.1 6.C.2.d</li> <li>• when <ul style="list-style-type: none"> <li>– an assumption of a mortgage <i>not</i> containing a due-on-sale clause occurred more than six months previously, and</li> <li>– the assumptor can document that he/she has made the mortgage payments during this interim period, or</li> </ul> </li> <li>• following an assumption of a mortgage in which the <ul style="list-style-type: none"> <li>– transferability restriction (due-on-sale clause) was <i>not</i> triggered, such as in a property transfer resulting from a divorce decree or by devise or descent</li> <li>– assumption or quit-claim of interest occurred more than six months previously, and</li> <li>– remaining owner-occupant can demonstrate that he/she has made the mortgage payments during this time.</li> </ul> </li> </ul>
<b>4155.1 6.C.3.d Withdrawn Condominium Approvals</b>	<p>If approval of a condominium project has been withdrawn, FHA will insure only streamline refinances <i>without</i> appraisals for that condominium project.</p> <p><b>Reference:</b> For more information on FHA requirements on condominiums, see HUD 4155.1 4.B.1.</p>
<b>4155.1 6.C.3.e Seven Unit Exemptions for Investors</b>	<p>An eligible investor that has a financial interest in more than seven rental units, as described in <a href="#">24 CFR 203.42</a>, may only refinance <i>without</i> appraisals.</p> <p><b>Reference:</b> For more information on the seven-unit limitation, see HUD 4155.1 4.B.4.d.</p>

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### 3. Streamline Refinance Borrower and Property Related Requirements, Continued

**4155.1 6.C.3.f  
Seasoning  
Requirement  
for a  
Streamline  
Refinance**

On the date of FHA case number assignment,

- the borrower must have made at least six payments on the FHA-insured mortgage being refinanced
- at least six full months must have passed since the first payment due date of the refinanced mortgage, and
- at least 210 days must have passed from the closing date of the mortgage being refinanced.

*Example:* The FHA case number on the mortgage being refinanced was closed on or before December 1<sup>st</sup>, and the borrower’s first payment on that mortgage was due on January 1<sup>st</sup>. The lender may request assignment of an FHA case number for the refinancing mortgage no earlier than July 1<sup>st</sup>.

**4155.1 6.C.3.g  
Mortgage  
Payment  
History  
Requirement  
for a  
Streamline  
Refinance**

The borrower must exhibit an acceptable payment history as described in the table below.

If the outstanding mortgage has ...	Then the borrower must have ...
fewer than 12 months payment history	made all mortgage payments within the month due
12 months payment history or more	<ul style="list-style-type: none"> <li>• experienced no more than <i>one</i> 30 day late payment in the preceding 12 months, and</li> <li>• made all mortgage payments within the month due for the three months prior to the date of the loan application.</li> </ul>

## 4. Types of Permissible Streamline Refinances

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**Introduction** This topic contains information on the types of permissible streamline refinances, including

- no cost refinances
  - term reduction ineligible for streamline refinance
  - ineligibility of delinquent mortgages for streamline refinances
  - ARM to ARM refinancing
  - ARM to fixed rate refinancing
  - fixed rate to ARM refinancing
  - GPM to fixed rate refinancing
  - GPM to ARM refinancing
  - Section 203(k) to Section 203(b) refinancing
  - Section 235 to Section 203(b) refinancing, and
  - ineligibility of investment properties and secondary residences.
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**4155.1 6.C.4.a  
No-Cost  
Refinances** No-cost refinances, in which the lender charges a premium interest rate to defray the borrower's closing costs and/or prepaid items, are permitted.

The lender may also offer an interest-free advance of amounts equal to the present escrow balance on the existing mortgage, to establish a new escrow account.

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## 4. Types of Permissible Streamline Refinances, Continued

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### 4155.1 6.C.4.b Term Reduction Ineligible for Streamline Refinance

A transaction for the purpose of reducing the mortgage term must be underwritten and closed as a rate and term (no cash-out) refinance transaction.

**Reference:** For more information on the types of refinances, see HUD 4155.1 3.A.1.c.

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### 4155.1 6.C.4.c Ineligibility of Delinquent Mortgages for Streamline Refinance

A delinquent mortgage is *not* eligible for streamline refinancing until the loan is brought current.

**Reference:** For more information on streamline refinances, see HUD 4155.1 6.C.3.f.

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### 4155.1 6.C.4.d ARM to ARM Refinancing

An Adjustable Rate Mortgage (ARM) may be refinanced to another ARM, provided that there is a net tangible benefit to the borrower.

ARM to ARM refinances may be transacted with or without an appraisal.

**Important:** An ARM may be used *only* to refinance a principal residence.

**Reference:** For more information on the net tangible benefit of refinances, see HUD 4155.1 6.C.5.

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### 4155.1 6.C.4.e ARM to Fixed Rate Refinancing

For ARM to fixed rate refinances, the interest rate on the new fixed rate mortgage must conform to the requirements stated in HUD 4155.1 6.C.5.c.

**Reference:** For more information on the net tangible from ARM to fixed rate refinances, see HUD 4155.1 6.C.5.c.

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## 4. Types of Permissible Streamline Refinances, Continued

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### 4155.1 6.C.4.f Fixed Rate to ARM Refinancing

A fixed rate mortgage may be refinanced to a one year ARM, with or without an appraisal, provided that the interest rate of the new adjustable rate mortgage conforms to the requirements stated in HUD 4155.1 6.C.5.d.

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### 4155.1 6.C.4.g GPM to Fixed Rate Refinancing

A Section 245 Graduated Payment Mortgage (GPM) may be refinanced to a fixed rate mortgage, with or without an appraisal, provided that there is a net tangible benefit to the borrower.

If the streamline refinance is completed without an appraisal, the new mortgage amount may exceed the statutory limit by the accrued negative amortization and the new upfront mortgage insurance premium (UFMIP).

**References:** For more information on

- net tangible benefit requirements, see HUD 4155.1 6.C.5, and
  - seasoning requirements for streamline refinances, see [HUD 4155.1 6.C.3.f](#).
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### 4155.1 6.C.4.h GPM to ARM Refinancing

A [GPM](#) may be refinanced to an ARM, *provided* that the note rate results in a reduction to the current principal and interest payments.

If the streamline refinance is completed without an appraisal, the new mortgage amount may exceed the statutory limit by the accrued negative amortization and the new UFMIP.

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## 4. Types of Permissible Streamline Refinances, Continued

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### 4155.1 6.C.4.i Section 203(k) to Section 203(b) Refinancing

A section 203(k) rehabilitation mortgage may be refinanced into a Section 203(b) mortgage after all work is complete.

The rehabilitation work is considered complete by

- a fully executed certificate of completion
- closing the rehabilitation escrow account with a final release, and
- the lender entering the required closeout information into the FHA Connection (FHAC) or its functional equivalent.

*Note:* Before lenders can order a case number for the refinance of a 203(k) mortgage, the previous lender must have completed the Section 203(k) closeout process in FHAC. See <https://entp.hud.gov/clas/html/f17npcase-1.cfm> for further information.

*Reference:* For more information on the Section 203(b) Home Mortgage Insurance Program, see HUD 4155.2 1.C.2.

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### 4155.1 6.C.4.j Section 235 to Section 203(b) Refinancing

A lender may refinance a Section 235 mortgage to a Section 203(b) mortgage using the streamline underwriting procedures described in HUD 4155.1 6.C and HUD 4155.1 3.C.

Any overpaid subsidy that has been paid by the lender to HUD, and is part of the borrower's mortgage account, can be included in the Section 203(b) mortgage amount, provided that the mortgage amount does not exceed the maximum mortgage permitted under the streamline refinancing requirements described in either HUD 4155.1 3.C.2 or HUD 4155.1 3.C.3, as appropriate.

If HUD has a junior lien that was part of the original Section 235 financing, HUD will subordinate the junior lien to the Section 203(b) mortgage that refinances the Section 235 mortgage.

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## 4. Types of Permissible Streamline Refinances, Continued

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**4155.1 6.C.4.k  
Investment  
Properties and  
Secondary  
Residences  
Ineligible for  
Streamline  
Refinance**

In addition to meeting the requirement for a reduction in the total mortgage payment, investment properties and secondary residences are not eligible for streamline refinancing to ARMs.

*References:* For more information on

- investment properties, see HUD 4155.1 4.B.4, and
  - secondary residences, see HUD 4155.1 4.B.3.
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## 5. Establishing Net Tangible Benefit of Streamline Refinance

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**Introduction** This topic contains information on establishing the net tangible benefit of a streamline refinance, including

- definition of net tangible benefit
  - net tangible benefit of reduction in mortgage payment
  - net tangible benefit of refinance from adjustable rate mortgage (ARM) to fixed rate mortgage, and
  - net tangible of fixed rate to ARM refinance.
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**4155.1 6.C.5.a  
Definition of  
Net Tangible  
Benefit of  
Streamline  
Refinance** The lender must determine that there is a net tangible benefit to the borrower as a result of the streamline refinance transaction, with or without an appraisal.

Net tangible benefit is defined as

- a 5% reduction to the principal and interest (P&I) of the mortgage payment plus the annual mortgage insurance premium (MIP), **or**
- refinancing from an Adjustable Rate Mortgage (ARM) to a fixed rate mortgage.

Notes:

- A reduction in the term of the mortgage is *not* a net tangible benefit.
- When refinancing to a hybrid ARM, lenders must treat the new hybrid ARM as a fixed rate mortgage.

**References:** For more information on the net tangible benefit of

- reduction in mortgage payment, see HUD 4155.1 6.C.5.b
  - ARM to fixed rate refinances, see HUD 4155.1 6.C.5.c, and
  - fixed rate to ARM refinances, see HUD 4155.1 6.C.5.d.
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## 5. Establishing Net Tangible Benefit of Streamline Refinance, Continued

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### 4155.1 6.C.5.b Net Tangible Benefit of Reduction in Mortgage Payment from Streamline Refinance

To qualify as a net tangible benefit, the new mortgage payment (P&I plus MIP) must be *at least 5%* lower than the mortgage payment of the loan being refinanced.

**Note:** This requirement applies when refinancing from

- fixed rate to fixed rate
- ARM to ARM
- Graduated Payment Mortgage (GPM) to ARM
- GPM to fixed rate
- 203(k) to 203(b), and
- 235 to 203(b).

**References:** For additional information on

- ARM to ARM refinancing, see HUD 4155.1 6.C.4.d
- fixed rate to ARM refinancing, see HUD 4155.1 6.C.5.d
- GPM to ARM refinancing, see HUD 4155.1 6.C.4.h
- GPM to fixed rate refinancing, see HUD 4155.1 6.C.4.g
- 203(k) to 203(b) refinancing, see HUD 4155.1 6.C.4.i, and
- 235 to 203(b) refinancing, see HUD 4155.1 6.C.4.j.

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## 5. Establishing Net Tangible Benefit of Streamline Refinance, Continued

**4155.1 6.C.5.c  
Net Tangible  
Benefit of ARM  
Refinance**

The table below provides the net tangible benefit requirements for various types of ARM refinances.

Type of ARM Refinance	Requirement to Establish Net Tangible Benefit
One-Year ARM to Fixed Rate Refinance	New interest rate must be <i>no greater than</i> two percentage points above the current interest rate of the existing ARM.
One-Year ARM to One-Year ARM Refinance	Reduction of at least 5% of P&I and MIP.
One-Year ARM to Hybrid ARM Refinance	New interest rate must be <i>at least</i> two percentage points below the current interest rate of the ARM.
Hybrid ARM (during Fixed Period) to Fixed Rate Refinance	Reduction of at least 5% of P&I and MIP.
Hybrid ARM (during Fixed Period) to One-Year ARM	New interest rate must be <i>at least</i> two percentage points below the current interest rate of the ARM.
Hybrid ARM (during Fixed Period) to Hybrid ARM	Reduction of <i>at least</i> 5% of P&I and MIP.
Hybrid ARM (during Adjustable Period) to Fixed Rate	New interest rate must be <i>no greater than</i> two percentage points above the current interest rate of the existing ARM.
Hybrid ARM (during Adjustable Period) to One-Year ARM	Reduction of <i>at least</i> 5% of P&I and MIP.
Hybrid ARM (during Adjustable Period) to Hybrid ARM	New interest rate must be <i>at least</i> two percentage points below the current interest rate of the ARM

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## Establishing Net Tangible Benefit of Streamline Refinance, Continued

**4155.1 6.C.5.d  
Net Tangible  
Benefit of Fixed  
Rate Refinance**

The table below provides the net tangible benefit requirements for various types of fixed rate mortgage refinances.

<b>Type of Fixed Rate Refinance</b>	<b>Requirement to Establish Net Tangible Benefit</b>
Fixed Rate to Fixed Rate	Reduction of at least 5% of P&I and MIP.
Fixed Rate to One-Year ARM	New interest rate must be <i>at least</i> two percentage points below the current interest rate of the fixed rate mortgage.
Fixed Rate to Hybrid ARM	Reduction of at least 5% of P&I and MIP.